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TREASURY FOR SGOOCH

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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EC](#)
SUBJECT: ECUADOR PAYS IMF DEBT, BLASTS WORLD BANK
REPRESENTATIVE

REF: QUITO 850

Classified By: Ambassador Linda Jewell for reasons 1.4 (b&d)

¶1. (U) Summary. On Saturday, April 15, President Correa announced Ecuador had paid off its IMF debt and was ending its relations "with that international bureaucracy." He also threatened to expel the World Bank representative in Ecuador if an investigation "confirms" that the World Bank "blackmailed" Ecuador by refusing to disburse a loan when Correa was Minister of Economy. Both announcements were made the same evening that Correa won a resounding victory in favor of holding a national constituent assembly (reftel). End summary.

IMF Paid, But Expects to Maintain Normal Relations

¶2. (U) Following Correa's announcement, the Central Bank confirmed that on Monday, April 16 it had transferred \$11.4 million to make Ecuador's two remaining payments to the IMF, due in May and August, based on instructions it had received from the Ministry of Economy and Finance on Friday.

¶3. (SBU) Jorge Guzman, the IMF Resident Representative, told EconCouns that, regarding Correa's statement about ending relations with the IMF, the Fund had heard from Ecuador's Executive Director that there will be no change in relations. Guzman said that he expects Ecuador to maintain Article IV relations with the IMF, and therefore an IMF mission should visit Ecuador at mid-year.

¶4. (C) Guzman speculated that Correa felt the need to pay off the IMF and make his statement in order to appeal to his political base, since he otherwise has not taken any steps to reduce Ecuador's external debt.

World Bank Rep Frustrated, Officially Has "No Comment"

¶5. (U) Eduardo Somensatto is the World Bank's Ecuador Manager, and was clearly the target of Correa's comment, although he was not actually named by Correa. Somensatto had recently arrived as country manager, when, in 2005, the World Bank decided not to disburse a loan to Ecuador, for reasons linked to an effort by then-Minister of Economy Correa to change the law governing the use of petroleum reserve funds.

¶6. (SBU) Somensatto told EconCouns that, based on guidance from his headquarters, the World Bank would not comment on Correa's statement. He said that the Bank views Correa's statement as one aimed at the institution, not Somensatto

personally. He added that he had not heard anything further regarding Correa's statement or review of the non-disbursement through official GOE channels. Instead, he noted, Correa was managing the issue "informally through the media."

17. (SBU) Somensatto said that the government is putting more distance between itself and the World Bank. He said that even if some GOE officials are interested in working with the Bank, they will take their cue from the President and will shy away from dealing with it.

Comment

18. (C) The GOE had already signaled that it was planning to pay off the IMF, and we share Guzman's view on its motivation for doing so. The timing of repayment may have been accelerated by Venezuela's announcement that it too had paid off the IMF, but clearly the GOE has its own reasons for doing so. The blast at the World Bank representative clearly reflects Correa's negative personal view toward the Bank as an institution, an attitude that was already apparent during his acrimonious tenure as Finance Minister in 2005. What is rather curious is that he chose to make these two announcements, which are relatively minor in his broader agenda, at a moment of personal triumph) a resounding "yes" for calling a constituent assembly. Most likely, these were the opening salvos in his campaign to win a majority of delegates to the constituent assembly.

JEWELL